

**MAY 23, 2005 BUDGET WORKSHOP FOLLOW-UP QUESTIONS**

**Q1. What is the purpose of the \$300,000 equipment line item in General Fund?**

The equipment line item has been included on the Long Term Financial Plan of the General Plan for a number of years to provide funding for unanticipated equipment expenditures not covered by the City's normal rental rate process. An example of these expenditures would be the recent failure of the Uninterruptible Power Supply (UPS) that supports the Computer-Aided Dispatch System at the Department of Public Safety. This is a one-year rather than an on-going appropriation and any funds not expended are considered for reappropriation in the following year.

**Q2. Can the Housing Mitigation Fund reimburse the General Fund for the difference between the below market rent charged at the house at 388 Charles and the market rent?**

Our current policies regarding permissible uses for the Housing Mitigation Fund do not contemplate this type of use for the Fund. Additionally, the amount of reimbursement that arguably could be made would be relatively small. Public Works staff has calculated the differential to be approximately \$2,550 from 2001 through February 2005. It is staff's recommendation that we deal with this issue through a review of the Legislative policies regarding the use of Housing Mitigation Funds and the acquisition and disposition of property. The Office of the City Manager will coordinate a review and revision of the housing mitigation policies as necessary.

**Q3. What are the background and details of the insurance payment for the downtown underground parking structure ? Was the bill paid before? Where was it charged?**

On November 15, 2000, the City entered into a Declaration of Covenants, Conditions, and Restrictions (CC&R) with M-F Downtown Sunnyvale, LLC (also known as "Mozart"), wherein it was agreed that Mozart would purchase an "all risk" property and casualty policy covering the improvements (which included our portion of the underground parking structure) for both the City and Developer, with Mozart paying 75% of the premium, and the City repaying Mozart for the remaining 25%.

To date, we have paid our percentage of three insurance invoices for years 2003, 2004, and 2005. The first payment of \$42,414 in 2003 was deducted from a Traffic Mitigation Fee that Mozart owed to the City. The second payment for 2004 was in the amount of \$34,145, and finally the payment for 2005 was \$53,517. The latter two invoices were paid by the Risk and Insurance Division of Human Resources from the Liability and Property Fund.

The recommended FY 2005/2006 Budget includes payment of future insurance premiums for the Mozart underground parking structure from the Parking District Fund,

with a corresponding transfer of funds from the General Fund. In subsequent discussions, staff has concluded that the payment of these costs should more appropriately be made directly in the General Fund, since the parking structure is an integral part of the Plaza del Sol and the operating costs of that facility are contained in the General Fund. This correction will be made as part of the budget adoption process on June 21, 2005. There is no net effect on the General Fund and the Parking District Fund from making this change.

**Q4. Does GASB 34 have an impact on how we record our RDA loan receivable? Do we need a reserve for the portion of the loan that may be uncollectable?**

The City's long-term loan (or advance) to the Redevelopment Agency is accounted for in our Comprehensive Annual Financial Report (CAFR) according to Generally Accepted Accounting Principles for governmental entities. These principles are generally spelled out in a publication by the Government Finance Officers Association entitled Governmental Accounting, Auditing, and Financial Reporting. The RDA loan is recorded in accordance with the latest version of this publication, which includes the new GASB 34 reporting model. For accounting statement purposes, the loan is recorded as a receivable entitled "Advances to other funds" in the General Fund and a liability in the debt service fund of the Redevelopment Agency. On the General Fund statements, a portion of the Fund Balance is reserved to reflect the fact that the loan will most probably never be completely paid. This Reserve is called "Advances to other funds net of deferred revenue" in the amount of \$35.9 million, which is the outstanding principal of the advance. Additionally, the General Fund contains a liability entitled "Deferred revenues" which includes the amount of interest outstanding for the advances. Sunnyvale reserves 100% of the RDA advances receivable on our financial statements.

On a budgetary basis, the General Fund Long Term Financial Plan does not include the entire loan payable, but does reflect the amount that is reasonably expected to be repaid based on our revenue forecasts.

**Q5. Please provide an overview of Housing Funds at a future study session.**

A study session has been scheduled for August 16, 2005 on this topic.

**Q6. Please provide an overview of the Outside Group Funding Process (both General Fund and CDBG) at a future study session.**

A study session has been scheduled for September 27, 2005 on this topic.

**Q7. Can the timing of the Plaza del Sol Phase II be accelerated in the capital budget?**

In the recommended FY 2005/2006 Budget, the Plaza del Sol Phase II Project is budgeted in the Park Dedication Fund with construction to take place during

FY 2012/2013 and FY 2013/2014. It should be noted that the financial plan for the Park Dedication Fund erroneously placed the project in FY 2011/2012 and FY 2012/2013. Total capital cost is \$2.2 million (in FY 2005/2006 dollars). Operating costs, to be funded in the General Fund, are budgeted to begin in FY 2014/2015. Operating costs are \$70,000 annually (in FY 2005/2006 dollars).

The current fund balance in the Park Dedication Fund of \$2.5 million is not enough to fund the budgeted expenditures and the Plaza del Sol Phase II Project. However, the recommended Budget includes \$3.5 million in Park Dedication Fees to be received during FY 2005/2006. With the receipt of these revenues, there will be sufficient funding for the capital costs of this project. Therefore, the project could begin as early as FY 2005/2006 if the revenues are received.

However, funding for the operating costs is not as readily available. The General Fund has a structural imbalance, with expenditures greater than revenues, through FY 2011/2012. The project operating costs may be moved up to FY 2012/2013, but to budget the \$70,000 any earlier would require a corresponding reduction in other expenditures to maintain a balanced budget.

**Q8. Please study whether there is a more cost effective roofing method for buildings that currently have tar and gravel roofs. Include solar/photovoltaic capabilities in study.**

Council has addressed many aspects of these areas with policy created for Sustainable Development and Green Buildings and staff are trained and aware of the most current products and designs to meet environmental, energy and efficiency/effectiveness goals. With this in mind, Parks and Recreation and Public Works Departments staff coordinate their efforts for repairs to building roofs, construction of new buildings/roofs and conducting buildings-related studies. And, Community Development Department staffs are involved in the plan checking and permitting steps of all projects.

Various options for roofing products are considered as staff prepare for two types of projects: Repairs to Existing Structures and New Construction.

#### Repairs to Existing Structures

As each building repair project is considered for Renovations, HVAC and Roofs, cost effectiveness is a strong consideration. Considering roofs, the Tar and Gravel roofs in question are of shorter life span than some alternate products such as: tile, shingle or metal, and they are similar in life span to rolled asphalt products. However, they use less costly materials and do not require additional changes to the original structure or framing of the building, and therefore result in lowered costs and effective/efficient repair projects.

Most of these Tar and Gravel roof areas were designed to provide flat space for the building's HVAC equipment. Generally, a wood or metal portion of roofing is included in perimeter roof designs to help hide the HVAC equipment and improve building

aesthetics. Because HVAC equipment must be accessed for maintenance and repairs it is important that the roof surface be durable and withstand foot traffic. Tar and gravel roofs are a good choice for this purpose. Alternate products such as shingle, tile and standing-seam metal roofs require added framing components to provide adequate slope for run-off, can add substantial weight to the roof and do not provide the needed level HVAC space.

Most tar and gravel roof systems provide a layer of insulating material. While the insulating factor is not equal to that of some alternate products, the above benefits remain and Tar and Gravel products are generally the best choice for repairs where that was the original design.

#### New Construction

New building construction provides the City a clean canvas and opportunities to build-in great ideas. For example, DPR and DPW staff employed many excellent energy conservation ideas and selected products for the new Senior Center. Insulation factors, durability and facility use were all considered as the designs were produced. The HVAC components for this large building were purposely placed at ground level to avoid the need for large flat areas of roofing. Metal roof products were used for durability, insulating qualities and aesthetic match to the metal (HVAC screening) portions of the existing Community Center buildings. However, even with these significant design elements a small portion of flat roofing was needed for placement of restroom and kitchen ventilation elements.

Council also expressed interest in the potential addition of Photovoltaic Systems to existing City buildings while repairs or renovations are underway. A photovoltaic system was installed as the Senior Center was constructed and will help decrease costs of energy use at the Center while producing that energy in a clean manner.

Photovoltaic systems are generally cost effective to introduce to new construction of large buildings or facilities that consume significant amounts of energy and operate for many hours each day. The Senior Center is an excellent example of appropriate use of these systems. Smaller facilities with low energy requirements and brief use periods such as Park Multi-Purpose buildings would not likely be an effective use for these systems.

**Q9. Please include the Project Sentinel special project as part of the CDD operating budget in the future.**

The expenditures for Project Sentinel will be included in the Community Development Department for the two-year operating cycle beginning FY 2006/2007.

**Q10. What is the status of B-1 Enterprise Corporation in regards to future concrete replacement projects? (i.e. are they eligible to bid in future?)**

A check of the current status of the State Contractors License for B-1 Enterprise Corporation reveals that the firm's workers compensation coverage expired in August 2004, and its license is under suspension until such time as they provide evidence of worker's compensation coverage. In addition, the telephone number listed with the State Board is no longer in service, and the business address listed on the license is for a residential apartment complex. The firm's owner, Neal Di Lello, is not listed on any current Contractor's License. Under the circumstances, it appears that the firm is no longer actively involved in the construction business.

Assuming that B-1 has a current license, there is no basis to prohibit them from bidding on future City contracts. However, the bid would be carefully scrutinized to determine if the firm is a "responsive and responsible" bidder as defined in the City's Municipal Code, which allows the City to consider its prior experience with the contractor.

**Q11. Please recommend how the City can support the Murphy Tree Lights and the Downtown Music Series at historical levels.**

Attached for Council's information is a memorandum from the Community Development Department on this subject (Exhibit A). The City Manager's recommendation regarding support for the Downtown Music Series is to not provide any funding at this time as it appears that no City funding is needed.

The City Manager's recommended FY 2005/2006 Budget also does not include any funding for the Murphy Tree Lights. If the Council wishes to fund this project, the City Manager recommends that the needed funds be taken from project number 823490, Downtown Public Improvements project, which has an uncommitted remaining balance of \$192,000.

**Q12. Please include the Congestion Management Agency special project in the Public Works operating budget in future years.**

The expenditures for the Congestion Management Agency will be included in the Public Works Department for the two-year operating cycle beginning FY 2006/2007.

**Q13. Please provide a list of each General Plan element and sub-element and when they were last updated.**

Exhibit B of this memorandum contains the status of the General Plan elements and sub-elements as of December 2004.

**NOTE: It was also suggested that Councilmembers ask their questions on the Unfunded projects list at the June 7 Public Hearing. It was further suggested that**

## **ATTACHMENT B**

**the questions be provided to the City Manager in advance, if possible, so that the answers can be as timely and complete as possible. Time for this process has been scheduled into the Public Hearing.**

**MEMORANDUM****COMMUNITY DEVELOPMENT DEPARTMENT****ECONOMIC DEVELOPMENT DIVISION**

**DATE:** June 1, 2005  
**TO:** Mary Bradley, Finance Director  
**FROM:** Karen L. Davis, Economic Development Manager *Karen Davis*  
**THROUGH:** Robert Paternoster, Director of Community Development  
**SUBJECT:** Follow-up on May 23, 2005 Budget Workshop

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Economic Development was asked to follow up on two items from the May 23, 2005 Budget Workshop:

1. **Downtown Summer Music Series:** Staff has contacted the Sunnyvale Downtown Association and has confirmed that they do not intend to request funds for the 2005 Downtown Summer Music Series. They may require assistance in the future but they believe they have sufficient proceeds from previous events to cover the costs of this year's event. They are sending a letter to the City to confirm this position.

The City has funded the Summer Music Series since 1999 at the following levels:

* FY 2000/01	\$40,000 (General Fund)
* FY 2001/02	-0- (Co-Sponsorship for use of City logo only)
* FY 2002/03	\$ 9,000 (Community Event Grant Fund)
* FY 2003/04	\$19,250 (Community Event Grant Fund)
* FY 2004/05:	<u>\$ 4,500</u> (General Fund)
* TOTAL	\$72,750

2. **Murphy Avenue Tree Lights:** The total cost to install meters, tree circuits and transformers, purchase new lights and labor costs to install the lights is as follows:

* FY 2001/02	\$13,000 (one-time costs for meters and pedestals from Project #823490)
* FY 2001/02	\$27,000 (General Fund – Public Works)
* FY 2002/03	\$ 7,500 (Project # 820610 – Downtown Area Maintenance)
* FY 2003/04	<u>\$16,500</u> (Project # 820610 – Downtown Area Maintenance)
* TOTAL	\$64,000

In FY 2004/05, the City discontinued the funding of the lights on Murphy Avenue as part of the budget approval in June 2004. On September 14, the City Council approved a budget modification (RTC #04-317) accepting \$2,000 in private sector contributions from downtown property owners to pay for maintenance and power for the fiscal year.

To continue the lights on Murphy Avenue into future fiscal years, the estimated cost is \$13,500 biannually for purchase of 130 sets of new lights and labor to install the lights. The annual cost is \$7,000 for vandalism replacement and repair and power and meter costs. If Council wants to consider continuing the project, it would require \$20,500 in FY 2005/06 and \$7,000 in FY 2006/07. For 20 years, the cost would be \$275,000.

The original date of June 2004 to discontinue the lights was set when it was assumed the construction of the mall would be completed and a PBID would be implemented to fund various programs in the downtown through a property-based improvement district. This process has been delayed because of developer delays in getting the mall project moving. Long term-funding for the project would be incorporated into a proposed PBID if that is determined to be a priority by downtown businesses and property owners.

Five alternative funding choices are identified for the project:

- \* Maintain the current policy adopted in the FY 2004/05 budget to provide no further support.
- \* Support the tree light costs until the mall is open:
  - o FY 2005/06     \$ 20,500
  - o FY 2006/07     \$ 7,000
  - o FY 2007/08     \$ 20,500
  - o Total Cost:     \$ 48,000
- \* Explore requesting bids from outside contractor to support the tree light costs until the mall is open to determine if it can be done for less than the estimated \$48,000.
- \* Commit permanent funding from the City at cost of \$275,000 over 20 years.
- \* Explore requesting bids from outside contractor to support the tree light costs over 20 years to determine if it can be done for less than the estimated \$275,000.

Potential sources of revenue from citywide activities to support the project include:

- \* Solicit private donations from downtown property owners.
- \* Project budget #823490 – Downtown Public Improvements Project includes \$192,000 for other downtown projects including matching funds and reserve for downtown projects.
- \* Service level cuts equal to \$13,750 per year (average annual cost to maintain lights). If this money is taken from Economic Development, it would have to be taken in some combination from the following citywide budgeted activities:
  - o City-wide banner program – three banner change-outs per year (summer, fall and holiday): approximately \$6,000 per year
  - o Business Page Newsletter – two newsletters mailed per year to all Sunnyvale businesses (approximately 8,000 businesses) with a business license (reduced from four per year): approximately \$6,500-\$7,000 per year
  - o Email blast services – two email blast newsletters, special meeting notices, special event invitations and notices (e.g., Rising Star event), and resource information sent to approximately 1,500 businesses per email: \$4,500 per year



- LoopNet service – listing of vacant properties in Sunnyvale for business retention and attraction: \$5,000 per year

The Downtown Area Maintenance Budget #820610 also provides funding for the maintenance of the Murphy Avenue hardscape and landscape. FY 2004/2005 is the last year of funding by City General Fund. This will eliminate all landscaping, fountain operation, and litter removal. Future operating costs are subject to funding support by the "Property-Based Improvement District". This district, if approved, will not be implemented until FY 2007/08. Maintaining Murphy Avenue landscape only (sidewalks not included) on the same schedule as the parking district (these costs are not included in the parking district) would cost approximately \$10,000-\$13,000 per year. This would include litter removal once every three weeks, street sweeping once a month, water for landscaping and the operation of the fountain, and minimal maintenance of flowers. If there are sufficient funds remaining in the project budget #820610 to continue for one year, staff could discuss this as a consideration for including in the downtown parking maintenance district when it is renewed in FY 2006/07.

## Status of the General Plan for the City of Sunnyvale

ELEMENTS	SUB-ELEMENTS	DATE ADOPTED
<b>1. Land Use and Transportation</b>		1997
<b>1.0.1 Land Use and Transportation</b>		
<b>2. Community Development</b>		
	2.2 Open Space*	1992
	2.3 Housing and Community Revitalization	2002
	2.4 Safety and Seismic Safety	1993
	2.5 Community Design	1990
<b>3. Environmental Management</b>		
	3.1 Water Resources	1996
	3.2 Solid Waste Management	1996
	3.3 Wastewater Management	2001
	3.4 Surface Runoff	1993
	3.5 Energy – <i>Retired 1999 Policies related to this Sub-Element were eliminated and replaced by Policy 3.5.1</i>	1981
	3.6 Noise	1997
	3.7 Air Quality	1993
<b>4. Public Safety</b>		
	4.1 Law Enforcement	1995
	4.2 Fire Services	1995
	4.3 Support Services	1988
<b>5. Socio-Economics</b>		1989
<b>6. Cultural</b>		
	6.1 Recreation*	1993
	6.2 Library	2003
	6.3 Heritage Preservation	1995
	6.4 Arts	1995
<b>7. Planning and Management</b>		
	7.1 Fiscal Management**	1988
	7.2 Community Participation	1995
	7.3 Legislative/Management	1999

22 Documents

\* Update in progress – will combine Open Space and Recreation

\*\* Update in progress